

Message Text

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63

ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-02 LAB-06 SIL-01 OMB-01 PA-04 PRS-01 USIA-15

DRC-01 /118 W

----- 091603

R 112152Z JUL 74

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 9354

UNCLAS SANTIAGO 4083

EO 11652: N/A

TAGS: ECON, CI, AFSP, ALLOW

SUBJECT: INFLATION IN JUNE

REF: A) SANTIAGO 3319; B) SANTIAGO 3878

1. ACCORDING TO THE NATIONAL INSTITUTE OF STATISTICS THE INCREASE IN THE CONSUMER PRICE INDEX (CPI) FOR JUNE WAS 20.8 PERCENT. THE BREAKDOWN BY FACTORS IS: FOOD, 18.6 PERCENT; HOUSING, 20.4 PERCENT; CLOTHING, 7.4 PERCENT; AND MISCELLANEOUS, 35.4 PERCENT. THE CUMULATIVE PRICE INCREASE SINCE JANUARY 1 OF THIS YEAR NOW STANDS AT 145.6 PERCENT AND SINCE JULY 1 OF 1973 AT 704.6 PERCENT.

2. COMMENT: ASSUMING THAT THE CPI ACCURATELY REFLECTS ACTUAL INFLATION IN CHILE, REAL WAGES ARE AT SLIGHTLY HIGHER LEVELS THAN INDICATED IN REF B, WHICH IS BASED ON ASSUMPTION OF 25 PERCENT INFLATION FOR JUNE. PUBLIC SECTOR EMPLOYEES RECEIVING THE MINIMUM WAGE HAVE EXPERIENCED A SLIGHT RISE IN REAL WAGES SINCE DECEMBER 31, 1973 WHILE MINIMUM WAGE EARNERS IN THE PRIVATE SECTOR APPEAR TO HAVE SUFFERED A SLIGHT DECLINE. AFFECT ON EMPLOYEES AT OTHER LEVELS IS SUBSTANTIALLY AS DESCRIBED IN REF B.

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3. AS NOMINAL SALARIES AND PRICES OF OTHER INPUTS RISE,

WE ARE BEGINNING TO SEE EVIDENCE THAT PRODUCERS OF SOME
PRODUCTS, I.E. SHOES, HAVE COSTS SO HIGH THAT EVEN WITH
LITTLE OR NO PROFIT MARGIN CONSUMER DEMAND IS TOO LOW
TO JUSTIFY CURRENT PRODUCTION LEVELS, AND WORKERS ARE
BEING LAID OFF.
POPPER

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NNN

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